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Approved For Release 2000/09/01 : CIA-RDP80-01240A000400100014-3

DEC 15 1954

MEMORANDUM FOR: Director of Central Intelligence

SUBJECT : Reserve Fund

REFERENCE :

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1. Upon establishment of the Central Intelligence Group, certain assets, consisting primarily of United States and foreign currencies, gold and commodity assets on hand at headquarters and at field stations abroad, were acquired by CIG from its predecessor organization, Strategic Services Unit. These assets amounting to \$4,115,612.97 were acquired as of 20 October 1946 and were recorded in the general ledger of CIG, with the offsetting credit as "Accountability for Net Assets Transferred from SSU."

2. Subsequent to the acquisition of such assets, they became intermingled and merged with Agency funds and were used as working capital in connection with activities of CIG and its successor, Central Intelligence Agency. The offsetting accountability was transferred from CIG to CIA and is presently reflected on the records of CIA as "Accountability for Funds Acquired from SSU" in the amount of \$3,992,801.45. The decrease is the result of revaluation of certain foreign currencies and payments of claims against predecessor agencies. A few claims are presently under examination which, if allowed, will result in a further slight reduction of the foregoing amount.

3. On 19 July 1950 the referenced Confidential Funds Regulation was issued designating that the net assets transferred from SSU be established in the Finance Division as a reserve fund to provide against emergency requirements, such as:

a. Curtailment or elimination of sources of foreign currencies.
b. Unforeseeable losses or depreciation of foreign currencies on hand.
c. Urgent operational need for sterile U. S. dollars.
d. Urgent operational need for gold or jewels.

4. A memorandum from the Director of Central Intelligence to the Budget Officer and the Chief, Special Support Staff dated 23 July 1950, advised that the reserve fund will be established initially in the amount of \$4,000,000 which was the approximate balance of the accountability at that date.

5. Experience gained by the Agency in the intervening period has demonstrated that further retention by Central Intelligence Agency of the funds represented by the subject reserve is not required. Ample funds have been available to assure continuity of operations and established fiscal policies contemplate no change in the situation. It is the opinion of this Office that the referenced regulation should be rescinded and

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at an appropriate future date, upon settlement of pending claims against
SSU, the remaining balance representing the accountability of this Agency
for the assets transferred from predecessor organizations, should be
remitted to the Department of the Treasury.

6. Attached for your signature is a memorandum referring to the establishment
of the reserve fund and authorizing the Comptroller, at his discretion
and when he deems appropriate, to remit the balance of the accountability
or reserve account, to the U. S. Treasury Department. [REDACTED] of the
Confidential Funds Regulations will be rescinded based upon your authorization
to the Comptroller in this connection.

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E. R. SAUNDERS
Comptroller

Attachment

TAS/ELM/FWG:jh (4 Dec 54)

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CONCURRENCE:

J.W.B.
Deputy Director (Administration)

Date